



The Power of One:

How Consumer Complaints Drive Regulatory Actions



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration



Moderated by **Chris Cline** Director of Communications

Panelists:

Carrie Couch, Acting Consumer Affairs Director

Angela Nelson, Market Regulation Director

Mark Nance, Assistant Chief Financial Examiner

The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration



Chris Cline

Director of Communications

The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Introduction

- Consumer complaints drive media inquiries
- When asked by the media, the department does not editorialize complaint data for individual companies, but does refer to the online consumer complaint index.
- Media ties complaint activity to performance of an insurance company



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Introduction

- Other divisions within the department pay close attention to complaint trends the Division of Consumer Affairs is experiencing
- Consumer complaints can drive regulatory actions taken by other divisions



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Consumer Complaints

2014 by the numbers:

Complaints by reason	Complaints by line of insurance
Denial of claim (537)	Health (901)
Delay of claim processing (463)	Auto (375)
Unsatisfactory settlement/offer (229)	Homeowners (266)
Delays or no response (207)	Life and annuities (264)

Jan. 1, 2014 – June 30, 2014



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration



Carrie Couch

Acting Director of Consumer Affairs



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

What is Consumer Affairs?

- Investigates complaints against insurance companies
- Investigates complaints against producers
- Provides consumer assistance and education



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Complaint Process

- Receive complaint from consumer, consumer's representative or health care provider
- Complaint is forwarded to the insurance company
- Review company response for compliance with Missouri law and policy provisions
- Communicate response to consumer
- Potential systemic issues referred to Market Conduct



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Complaint Coding

- NAIC Standardized Coding System
- NAIC requires use for CDS reporting
- Means of uniform data collection, reporting and analysis
- 15 possible dispositions



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Most Common Dispositions

- Compromised settlement
- Claim settled
- Contract provision/legal issue
- Company position upheld
- Company position overturned



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Closed Confirmed Complaint

- The insurer, licensee or producer violates:
 - ▶ An applicable insurance law or regulation
 - ▶ A term/condition of an insurance policy
- The complaint and entity's response, considered together, indicate the entity was in error



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Complaint Verification

- Allows companies to verify reason code, disposition and company information
- Electronic and updated quarterly
- Increases accuracy of complaint data
- Benefits of accurate data to the industry
 - ▶ DIFP Complaint Index
 - ▶ NAIC CDS
 - ▶ Market Analysis



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Complaint Index

- Ratio of complaints to premium volume
- Compared to entire market
- Score of 100 is average
- All complaints counted – confirmed and non-confirmed
- Calculated yearly, using three years' data



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Complaint Index, cont'd

- *One* factor for consumer consideration
- Available for seven lines of insurance
- Data available from 2001 through 2013
- Available online or by phone

<http://insurance.mo.gov/consumers/complaints/compindx.php>



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Complaint Index - Formula

$$\frac{\begin{array}{l} \text{Company complaints} \\ \text{Company premium volume} \end{array}}{\begin{array}{l} \text{Industry-wide complaints} \\ \text{Industry-wide premium volume} \end{array}} \times 100$$



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration



Angela Nelson

Director of Market Regulation

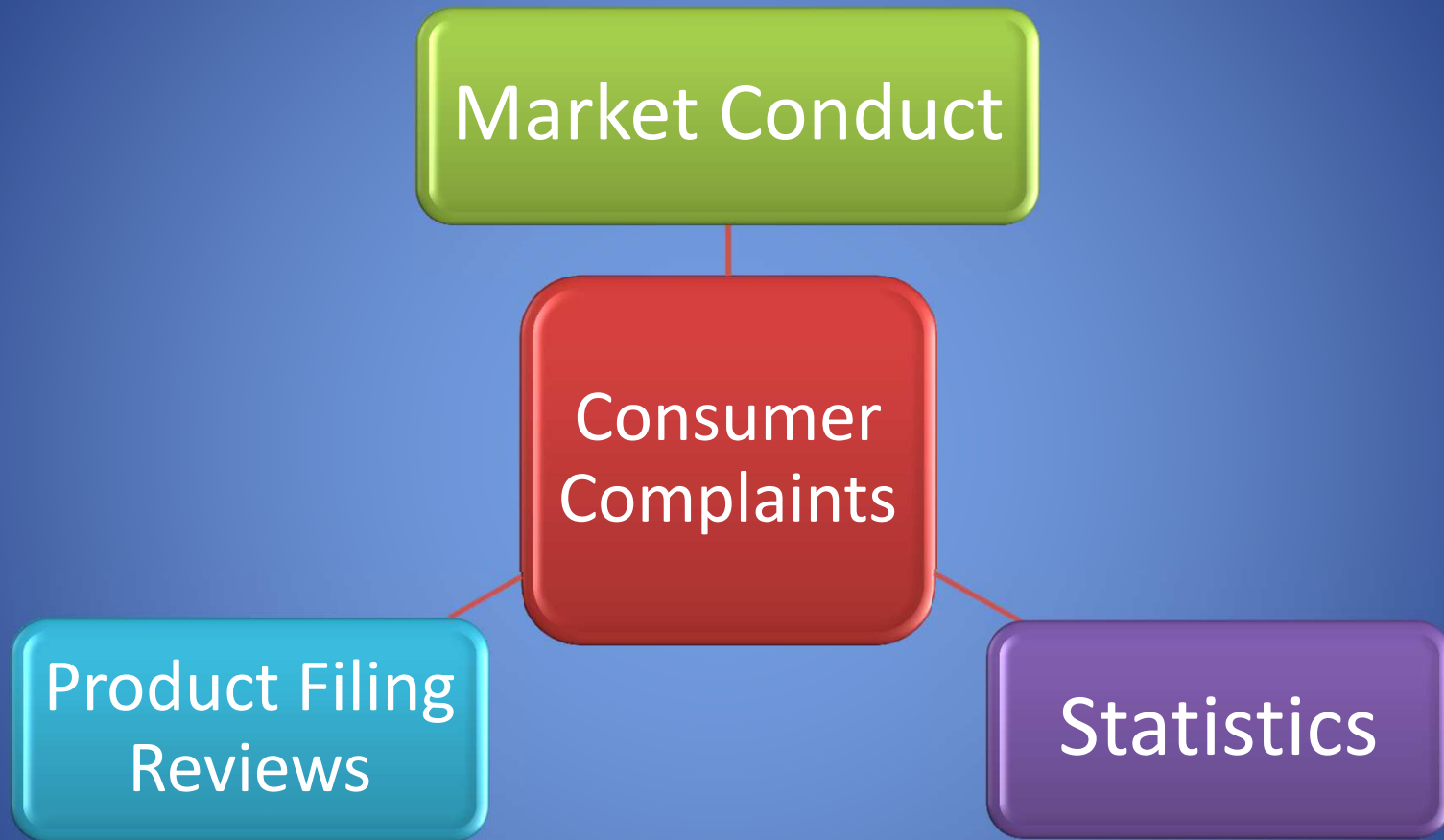


The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Market Regulation and Complaints



2014



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Information Gathering

- Informal referrals
- Internal meetings
- Formal referrals
- Complaint data analysis and trending
 - ▶ NAIC CDS
 - ▶ Internal Complaint Data

Consumer
Complaints



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Statistics Section

- Compiles internal complaint data
- Publishes annual Consumer Complaint Report
- Calculates complaint indices
- Assists with Market Analysis of complaint data

Statistics



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Filing Sections

- Complaint activity shapes filing reviews
- Questions about policy provisions
 - ▶ Gain clarity into company's interpretation
 - ▶ May result in request for revisions to forms
- Questions about rates
- Questions about rules

Product Filing
Reviews

2014



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Market Conduct

- Market Conduct Continuum of Regulatory Responses
 - ▶ Market Analysis
 - ▶ Investigations
 - ▶ Examinations

Market Conduct



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Market Analysis

- Market-wide review to identify companies potentially out of compliance
- Complaints, financial data and other information reviewed
- Complaints are the single most useful source of data
- Total number and frequency are the base indicators



2014



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Investigation

- Complaint analysis and referrals drive investigative actions
- Complaint file reviews are undertaken rather than analysis of summarized complaint data
- Responses to Consumer Affairs are important
- Resolution of investigation can vary



2014



Director's
Regulatory
Summit

The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Examination

- Called after issuance of exam warrant
- Must be based on reasonable belief violations have or are occurring
- Complaints are the best evidence
 - ▶ Often real-time information
 - ▶ Demonstrate actual consumer harm
- Complaints can be the basis of a referral for a multi-state action



2014



Director's
Regulatory
Summit

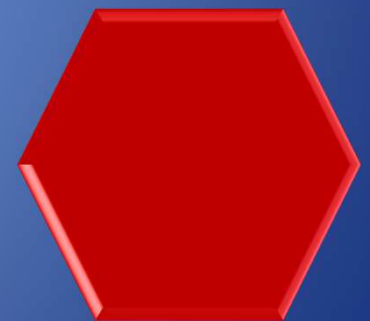
The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Regulatory Actions

- Conclusion of examination
- Administrative or civil complaints, seeking:
 - ▶ Correction actions – Curative Orders
 - ▶ Restitution
 - ▶ Forfeitures
 - ▶ Reimbursement of costs
 - ▶ Cease and desist order
 - ▶ Suspension/revocation of license



2014



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration



Mark Nance

Assistant Chief Financial Examiner
Division of Company Regulation



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Division of Company Regulation

Monitors and analyzes the financial condition, accounting practices and legal compliance of insurance companies licensed in Missouri to ensure they have the financial capacity to promptly pay claims.



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Financial Analysis Section

- Monitors the solvency and legal compliance of all companies doing business in Missouri
- Accomplished through analysis of:
 - ▶ Annual and quarterly statements
 - ▶ Filings relating to financial transactions
 - ▶ Other required filings:

Actuarial Opinion

CPA Audit

Management Discussion and Analysis

Holding Company Registration Statement

2014



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Financial Exam Section

- Performs examinations of insurance companies incorporated (domiciled) in Missouri
- Examinations required every five years
- Financial strength or other concerns may trigger more frequent exams
- Examinations use a “Risk Focused Approach”
 - ▶ Review of corporate governance
 - ▶ Review of key activity internal controls
 - ▶ Substantive testing as needed



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Coordinated Regulatory Activities

- NAIC Accreditation Guidelines require coordination with Market Conduct
 - ▶ Handbook requires consideration of Market Conduct adverse findings
 - ▶ Market Conduct activities can identify legal and compliance risks which create material solvency issues
 - ▶ Market Conduct and financial examinations are frequently conducted simultaneously



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Consumer Complaint Indications of Financial Stress

- Claim denials or delays
- Payment of inadequate amounts
- Claim processing or payment problems
- Inconsistent claims administration policies
- Indications of post-claims underwriting



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Market Conduct Indications of Financial Stress

- Reduction of underwriting standards or failure to follow underwriting standards
- Excessive defense costs, higher settlement costs, bad faith judgments
- Increase in licensing of agents
- Use of managing general agents or third-party administrators
- New policy form filings



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Market Conduct Indications of Financial Stress (Continued)

- Deviations from rate filings or requests for significant rate increases
- Rapid expansion into new lines of business or geographical areas
- Market conduct examination reports containing violations and/or corrective actions requirements
- Premium volume increases/decreases



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Regulatory Response and Actions

Indications of financial stress can result in the Division:

- Seeking explanations or additional information
- Reviewing the insurer's business plan
- Requiring additional interim reporting
- Calling a targeted or limited-scope examination
- Holding a meeting with company management
- Restricting, suspending or revoking an insurer's Certificate of Authority



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Regulatory Response and Actions (Continued)

- Increased financial analysis and oversight
- Increased scrutiny or disapproval of:
 - ▶ Dividends or return of capital requests
 - ▶ Form A and Form D transactions
 - ▶ Admission or expansion applications
 - ▶ Other special requests subject to approval



The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration



Questions?

2014

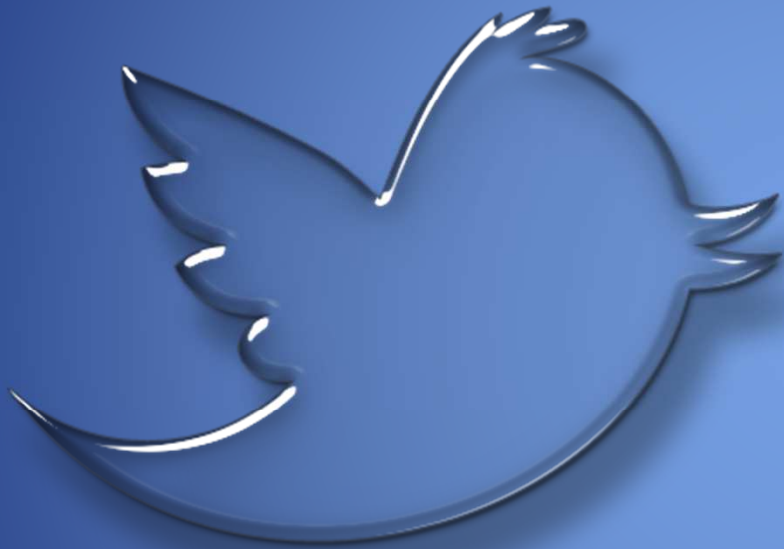


The Power of One – Consumer Complaints



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Get Social



#MoReg2014
@MoConsumerHQ

2014



Director's
**Regulatory
Summit**



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration

Disclaimer

The information provided in this presentation does not provide legal advice or interpretation and does not bind the Department in its enforcement of Missouri's insurance laws.

2014



DIFP
Department of Insurance,
Financial Institutions &
Professional Registration